

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type [ ] City [ ] Township [ ] Village [ x ] Other		Local Government Name Van Buren Co Public Transit		County Van Buren	
Audit Date 9/30/05		Opinion Date 3/17/06		Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

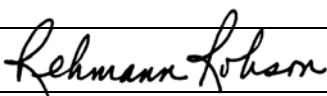
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |       |     |       |    |    |  |
|-------|-----|-------|----|----|--|
| [ ]   | Yes | [ x ] | No | 1. | Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| [ ]   | Yes | [ x ] | No | 2. | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| [ ]   | Yes | [ x ] | No | 3. | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| [ ]   | Yes | [ x ] | No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| [ ]   | Yes | [ x ] | No | 5. | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| [ ]   | Yes | [ x ] | No | 6. | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| [ ]   | Yes | [ x ] | No | 7. | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [ x ] | Yes | [ ]   | No | 8. | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| [ ]   | Yes | [ x ] | No | 9. | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

**VAN BUREN COUNTY PUBLIC  
TRANSIT**

**(a Component Unit of Van Buren County)**

**Bangor, Michigan**

**FINANCIAL STATEMENTS**

**For The Year Ended September 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

**VAN BUREN COUNTY PUBLIC TRANSIT**  
**(a Component Unit of Van Buren County)**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

March 17, 2006

Members of the Board  
Van Buren County Public Transit  
Bangor, Michigan

We have audited the accompanying financial statements of the **VAN BUREN COUNTY PUBLIC TRANSIT**, a component unit of Van Buren County, Michigan, as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Van Buren County Public Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Van Buren County Public Transit as of September 30, 2004, were audited by other auditors whose report dated December 19, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the remaining fund information of the **Van Buren County Public Transit** as of September 30, 2005, and the changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **Van Buren County Public Transit**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information on page 21 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the year ending September 30, 2005**

The Management Discussion and Analysis ("MD&A") presents a narrative overview and analysis of the financial activities of the Van Buren County Public Transit (Transit) for the year ended September 30, 2005. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

### **FINANCIAL HIGHLIGHTS**

The Transit experienced a decrease in net assets of \$157,988 in 2005 as compared to a decrease of \$5,943 in 2004.

Overall revenues, including capital contributions, decreased from \$1,133,800 in 2004 to \$926,274 in 2005, a 18% decrease. The decrease was primarily the result of a \$206,000 reduction in capital grants.

- Operating revenues increased \$18,165 or 9.6%.
- Non-operating revenues decreased \$17,132 or 2.9%.
- Capital contributions decreased \$206,000 or 59.5%
- Operating expenses decreased \$55,481 or 4.9%

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplemental information and compliance information.

The basic financial statements include the following:

- The Statements of Net Assets, which presents assets less liabilities at each fiscal year end.
- The Statements of Revenues, Expenses and Changes in Net Assets, which shows revenues and expenditures for each of the fiscal years.
- The Statements of Cash Flows, which show sources and uses of cash for each of the fiscal years.
- The financial statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data.

The notes are followed by a series of Operating Fund Schedules that further explains and supports information in the basic financial statements.

### **PROPRIETARY FUND STATEMENTS**

The proprietary fund statement reports information about the Transit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Transit's assets and liabilities. The Statements of Revenues, Expenses and Changes in Net Assets accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

Net assets – the difference between the Transit’s assets and liabilities – are one way to measure the Transit’s financial health or position. Over time, increases or decreases in the Transit’s net assets are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Transit, as user must also consider additional factors such as future changes in state and federal financial assistance, the condition of its rolling stock and facilities and other factors.

## NET ASSETS

The Transit’s total net assets at September 30, 2005 were \$656,200, a decrease of approximately \$158,000 from the prior year, or 19%. Total assets decreased \$218,275 or 23.9% and total liabilities decreased \$60,287 or 60.5%.

<b>VAN BUREN COUNTY PUBLIC TRANSIT NET ASSETS</b>			
	<b>As of September 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>% Change</b>
<b>ASSETS</b>			
Current assets	\$92,358	\$232,033	-60.2%
Capital assets	603,115	681,715	-11.5%
<b>TOTAL ASSETS</b>	<b>695,473</b>	<b>913,748</b>	<b>23.9%</b>
<b>LIABILITIES</b>			
Current liabilities	26,877	60,755	-55.7%
Long-term debt	12,396	38,805	-68.1%
<b>TOTAL LIABILITIES</b>	<b>39,273</b>	<b>99,560</b>	<b>-60.6%</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	603,115	681,715	-11.5%
Unrestricted net assets	53,085	132,473	-59.9%
<b>TOTAL NET ASSETS</b>	<b>\$656,200</b>	<b>\$814,188</b>	<b>-19.4%</b>

## CHANGES IN NET ASSETS

The decrease in net assets in 2005 was \$157,988, compared to a \$5,943 decrease in 2004. (See table below.)

<b>VAN BUREN COUNTY PUBLIC TRANSIT CHANGES IN NET ASSETS</b>			
	<b>As of September 30, 2005</b>	<b>2004</b>	<b>% Change</b>
<b>OPERATING REVENUE</b>			
Passenger fares	\$ 201,604	\$180,967	11.4%
Other	5,700	8,172	-30.2%
<b>TOTAL OPERATING REVENUE</b>	<u>207,304</u>	<u>189,139</u>	<u>9.6%</u>
<b>OPERATING EXPENSES</b>			
Administration	868,486	904,844	-4.0%
Operations before depreciation	73,978	84,322	-12.3%
Maintenance	141,798	150,577	-5.8%
<b>TOTAL OPERATING EXPENSES</b>	<u>1,084,262</u>	<u>1,139,743</u>	<u>-4.9%</u>
<b>OPERATING LOSS</b>	<u>(876,958)</u>	<u>(950,604)</u>	<u>7.7%</u>
<b>NONOPERATING REVENUES</b>			
Government operating grants	573,586	589,994	-2.7%
Other	7,872	8,596	-8.4%
<b>TOTAL NONOPERATING REVENUES</b>	<u>581,458</u>	<u>598,590</u>	<u>-2.9%</u>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(295,500)</u>	<u>(352,014)</u>	<u>9.4%</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>137,512</u>	<u>346,071</u>	<u>-60.3%</u>
<b>CHANGE IN NET ASSETS</b>	<u>(157,988)</u>	<u>(5,943)</u>	<u>-255.8%</u>
Total Net Assets, beginning	814,188	820,131	.7%
<b>TOTAL NET ASSETS, ENDING</b>	<u><b>\$656,200</b></u>	<u><b>\$814,188</b></u>	<u><b>-19.4%</b></u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

During the 2005 and 2004 fiscal years, the Transit had capital assets (net of depreciation) as follows:

	<u>2005</u>	<u>2004</u>
Buildings	\$ 108,445	\$ 114,709
Land improvements	74,729	76,229
Buses	379,095	439,188
Vehicles	5187	9,077
Equipment	<u>35,659</u>	<u>42,512</u>
<b>Total</b>	<b><u>\$ 603,115</u></b>	<b><u>\$ 681,715</u></b>

Included in capital asset additions were two new buses purchased under a capital grant amounting to \$107,047. More detailed information about capital assets can be found in Note II.B. to the financial statements.

### Long-term debt:

At year end, the Transit had \$12.396 in long-term debt, which consisted entirely of accrued compensated absences. This was a reduction of \$26,409 from the previous year, a reduction of 10.9% from last year. More detailed information about the Transit's long term liabilities can be found in Note II.C. to the financial statements.

## FACTORS BEARING ON THE TRANSIT'S FUTURE

At the time these financial statements were prepared and audited, the Transit was aware of one existing circumstance that could significantly affect its financial health in the future. For the fiscal year 2005, the Transit received approximately 34% of its funds used for operations from the State of Michigan. This funding was based on the Transit receiving 38.43% of its eligible operating expenses for non-urban service from the State compared to 42.24% in fiscal year 2004. Effective October 1, 2005, the stated rates of reimbursement remained the same at 38.43%. This rate of funding, however, is still less than the rate of 42.24% received in fiscal year 2004, and it is possible that budget constraints within the state could result in a further reduction of the percentage of this funding formula.

## CONTACTING THE TRANSIT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers and other interested parties with a general overview of the finances of the Van Buren County Public Transit and to demonstrate the Transit's accountability for the money it receives. If you have questions about this report or need additional information, contact the Van Buren County Public Transit at 610 David Walton Drive., Bangor, MI 49013.

## **BASIC FINANCIAL STATEMENTS**

# Van Buren County Public Transit

## Statements of Net Assets

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,159	\$ 172,366
Accounts receivable	37,564	29,669
Grants receivable	24,677	17,698
Inventory	9,162	7,453
Prepaid expenses	17,796	4,847
Total current assets	<u>92,358</u>	<u>232,033</u>
Noncurrent assets:		
Capital assets being depreciated, net	<u>603,115</u>	<u>681,715</u>
 <b>Total assets</b>	 <u>695,473</u>	 <u>913,748</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	15,583	37,188
Accrued payroll	11,294	23,567
Total current liabilities	<u>26,877</u>	<u>60,755</u>
Long-term liabilities:		
Accrued compensated absences	<u>12,396</u>	<u>38,805</u>
 <b>Total liabilities</b>	 <u>39,273</u>	 <u>99,560</u>
<b>Net assets</b>		
Invested in capital assets	603,115	681,715
Unrestricted	<u>53,085</u>	<u>132,473</u>
 <b>Total net assets</b>	 <u><u>\$ 656,200</u></u>	 <u><u>\$ 814,188</u></u>

The accompanying notes are an integral part of these financial statements.

**Van Buren County Public Transit**  
**Statements of Revenues, Expenses and Changes in Net Assets**

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Operating revenues (Page 17)</b>	<u>\$ 207,304</u>	<u>\$ 189,139</u>
<b>Operating expenses</b>		
Operations	868,486	904,844
Maintenance	73,978	84,322
Administration	<u>141,798</u>	<u>150,577</u>
Total operating expenses	<u>1,084,262</u>	<u>1,139,743</u>
Operating loss	<u>(876,958)</u>	<u>(950,604)</u>
<b>Non-operating revenues</b>		
Government operating grants:		
State	477,137	458,133
Federal	79,199	114,221
Local	17,250	17,640
Investment income	1,654	2,075
Other non-operating revenue	<u>6,218</u>	<u>6,521</u>
Total non-operating revenues	<u>581,458</u>	<u>598,590</u>
Net loss before capital contributions	(295,500)	(352,014)
Capital contributions - grants	<u>137,512</u>	<u>346,071</u>
Change in net assets	(157,988)	(5,943)
Net assets, beginning of year	<u>814,188</u>	<u>820,131</u>
<b>Net assets, end of year</b>	<u><u>\$ 656,200</u></u>	<u><u>\$ 814,188</u></u>

The accompanying notes are an integral part of these financial statements.

**Van Buren County Public Transit**  
**Statements of Cash Flows**

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities:</b>		
Receipts from operations	\$ 192,430	\$ 183,562
Payments to suppliers	(84,695)	(461,712)
Payments to employees	(868,486)	(537,392)
	<u>(760,751)</u>	<u>(815,542)</u>
<b>Net cash used by operating activities</b>		
<b>Cash flows from noncapital financing activities:</b>		
Operating grants	<u>573,586</u>	<u>589,994</u>
<b>Net cash provided by noncapital financing activities</b>	<u>573,586</u>	<u>589,994</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(127,426)	(346,071)
Capital contributed by governmental units	<u>137,512</u>	<u>346,071</u>
<b>Net cash provided by capital and related financing activities</b>	<u>10,086</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Other	6,218	6,521
Investment income	<u>1,654</u>	<u>2,075</u>
<b>Net cash provided by investing activities</b>	<u>7,872</u>	<u>8,596</u>
<b>Net decrease in cash and cash equivalents</b>	(169,207)	(216,952)
<b>Cash and cash equivalents, beginning of year</b>	<u>172,366</u>	<u>389,318</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 3,159</u></u>	<u><u>\$ 172,366</u></u>

Continued...

**Van Buren County Public Transit**  
**Statements of Cash Flows (Concluded)**

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (876,958)	\$ (950,604)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	206,026	179,400
Changes in assets and liabilities:		
Accounts receivable	(7,895)	(8,881)
Grants receivable	(6,979)	(18,350)
Inventories	(1,709)	(1,687)
Prepaid expenses	(12,949)	(1,003)
Accounts payable	(21,605)	(15,137)
Accrued payroll	(12,273)	(867)
Accrued compensated absences	(26,409)	1,587
<b>Net cash used by operating activities</b>	<b>\$ (760,751)</b>	<b>\$ (815,542)</b>

The accompanying notes are an integral part of these financial statements.

# VAN BUREN COUNTY PUBLIC TRANSIT

## Notes to Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Van Buren County Public Transit (Transit) is governed by an appointed five-member Council. The Transit is considered to be a component unit of Van Buren County, Michigan for financial accounting and reporting purposes. Federal and state financial assistance in the form of operating and capital grant funding to support operations, specialized services and capital equipment items are received by the Transit. The Transit provides demand response services within Van Buren County, as well as special services to several nonprofit and governmental agencies within the County.

#### B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Transit gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and entitlements. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government accounts for its operations in a single enterprise fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Transit has elected not to follow subsequent private-sector guidance.

# VAN BUREN COUNTY PUBLIC TRANSIT

## Notes to Financial Statements

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Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the enterprise fund are charges to customers for sales and services. Federal and state operating grants received to subsidize operations are classified as non-operating revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **C. Assets, liabilities and equity**

#### **1. Deposits**

The Transit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Transit to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

#### **2. Inventories and Prepaid Items**

Inventory consists of diesel fuel and is valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### **3. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# VAN BUREN COUNTY PUBLIC TRANSIT

## Notes to Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Land improvements	10-20
Buses	5
Other vehicles	4-5
Furniture and equipment	4-10

#### **4. *Accrued vacation, incentive and sick pay***

Transit employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a long-term liability.

## **II. DETAILED NOTES ON ALL FUNDS**

### **A. Cash and cash equivalents**

The following is a summary of cash and cash equivalents balances as of September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Savings accounts	\$ 19,356	\$ 23,912
Deposits with Van Buren cash pool	<u>(16,197)</u>	<u>148,454</u>
Total	<u>\$ 3,159</u>	<u>\$ 172,366</u>

# VAN BUREN COUNTY PUBLIC TRANSIT

## Notes to Financial Statements

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### **Deposit and investment risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on investment credit risk, nor does the Transit have any investments at September 30, 2005.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Transit's deposits may not be returned. State law does not require and the Transit does not have a policy for deposit custodial credit risk. As of September 30, 2005 and 2004, the entire amount of the Transit's bank balance of \$19,356 and \$23,912, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized. The bank balance for deposits in which the Transit has a negative equity of \$16,197 at September 30, 2005 and a balance of \$148,454 at September 30, 2004 is held by Van Buren County and may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Road Commission.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Transit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Transit does not have a policy for investment custodial credit risk. The Transit did not have any investments at September 30, 2005 and September 30, 2004.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Transit did not have any investments at September 30, 2005 and September 30, 2004.

# VAN BUREN COUNTY PUBLIC TRANSIT

## Notes to Financial Statements

### B. Capital assets

Capital assets activity for the year ended September 30, 2005, was as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 519,292	\$ 20,379	\$ -	\$ 539,671
Land improvements	82,229	-	-	82,229
Buses	753,206	107,047	-	860,253
Vehicles	43,656	-	-	43,656
Furniture and equipment	85,365	-	-	85,365
Subtotal	<u>1,483,748</u>	<u>127,426</u>	<u>-</u>	<u>1,611,174</u>
Less accumulated depreciation for:				
Buildings	404,583	26,643	-	431,226
Land improvements	6,000	1,500	-	7,500
Buses	314,018	167,140	-	481,158
Vehicles	34,579	3,890	-	38,469
Furniture and equipment	<u>42,853</u>	<u>6,853</u>	<u>-</u>	<u>49,706</u>
Total accumulated depreciation	<u>802,033</u>	<u>206,026</u>	<u>-</u>	<u>1,008,059</u>
<b>Total capital assets being depreciated, net</b>	<u><u>\$ 681,715</u></u>	<u><u>\$ (78,600)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 603,115</u></u>

Depreciation expense for the years ended September 30, 2005 and 2004 was \$206,126 and \$179,400, respectively.

### C. Long-term debt

#### *Changes in Long-Term Debt*

Following is a summary of long-term debt activity for the year ended September 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued vacation, incentive and sick pay	<u>\$ 38,805</u>	<u>\$ 33,125</u>	<u>\$ (59,534)</u>	<u>\$ 12,396</u>	<u>\$ -</u>

# VAN BUREN COUNTY PUBLIC TRANSIT

## Notes to Financial Statements

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### III. OTHER INFORMATION

#### A. Risk management

The Transit is exposed to various risks of loss related to assets; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, medical benefits provided to employees, and natural disasters.

The Transit has purchased commercial insurance for employee medical claims, and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### B. Retirement Plan

##### Union Employees' Pension Plan

Transit employees participate in the Van Buren County Employee Pension Plan. All County employees are eligible to participate in the Plan. The Transit is required to pay contributions to the Plan that match the participant's contribution up to a maximum of 5% of employee compensation.

The Transit contributed \$ 10,180 and \$10,219 to the Plan for the years ended September 30, 2005 and 2004, respectively.

#### C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit expects such amounts, if any, to be immaterial.

\* \* \* \* \*

## **OPERATING FUND SCHEDULES**

**Van Buren County Public Transit**  
**Schedule of Operating Revenues**

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
Passenger fares:		
General public	\$ 40,913	\$ 39,711
Contract rides:		
Mental Health - MTI	103,366	81,482
Menatl Health - Hope Center	39,021	41,375
Other	18,304	18,399
Specialized services	5,700	7,732
Maintenance service	-	440
	<u>\$ 207,304</u>	<u>\$ 189,139</u>

**Van Buren County Public Transit**  
**Schedule of Operating Expenses**

	For the Year Ended September 30, 2005				2004
	Operations	Maintenance	Administration	Total	Total
Labor:					
Operator salaries and wages	\$ 193,525	\$ -	\$ 1,636	\$ 195,161	\$ 197,707
Dispatcher salaries and wages	27,052	-	-	27,052	25,806
Other salaries and wages	-	29,359	54,732	84,091	108,268
Total labor	220,577	29,359	56,368	306,304	331,781
Fringe benefits	153,377	21,302	38,345	213,024	229,511
Purchased services:					
Professional and technical	-	-	10,533	10,533	14,030
Maintenance	-	950	-	950	1,032
Other	10,948	8,814	14,675	34,437	34,901
Total purchased services	10,948	9,764	25,208	45,920	49,963
Materials and supplies:					
Fuel and lubricants	54,514	-	-	54,514	39,133
Tires and tubes	1,133	-	-	1,133	3,581
Other materials and supplies	1,330	13,553	1,074	15,957	17,010
Total materials and supplies	56,977	13,553	1,074	71,604	59,724
Utilities	6,622	-	9,452	16,074	13,446
Insurance	1,755	-	10,150	11,905	15,010
Miscellaneous expenses:					
Advertising	-	-	1,168	1,168	2,519
RTAP	309	-	33	342	4,507
Job Access/Project Zero	205,019	-	-	205,019	250,485
Other	3,276	-	-	3,276	2,834
Total miscellaneous expenses	208,604	-	1,201	209,805	260,345
Leases and rentals	3,600	-	-	3,600	563
Depreciation	206,026	-	-	206,026	179,400
<b>Total operating expenses</b>	<b>\$ 868,486</b>	<b>\$ 73,978</b>	<b>\$ 141,798</b>	<b>\$ 1,084,262</b>	<b>\$ 1,139,743</b>

**Van Buren County Public Transit**  
**Schedule of Non-Operating Revenues**  
**State and Federal**  
**For the Years Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>State of Michigan operating grants:</b>		
Formula Operating assistance	\$ 278,672	\$ 285,108
Prior year adjustments	6,483	-
Job Access Reverse Commute/Project Zero - Section 3037	<u>191,982</u>	<u>173,025</u>
Total State of Michigan operating grants	<u>477,137</u>	<u>458,133</u>
<b>Federal operating grants:</b>		
U.S. Department of Transportation, operating grant - Section 5311	79,025	66,392
Job Access Reverse Commute/Project Zero - Section 3037	-	45,796
RTAP	<u>174</u>	<u>2,033</u>
Total federal operating grants	<u>79,199</u>	<u>114,221</u>
<b>Total non-operating revenues</b>	<u><u>\$ 556,336</u></u>	<u><u>\$ 572,354</u></u>

**Van Buren County Public Transit**  
**Schedule of Computations of Net Eligible Costs for General Operations**

	<b>Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Expenses</b>		
Labor	\$ 306,304	\$ 331,781
Fringe benefits	213,024	229,511
Purchased services:	45,920	49,963
Materials and supplies	71,604	59,724
Utilities	16,074	13,446
Insurance	11,905	15,010
Miscellaneous expenses:	209,805	260,345
Leases and rentals	3,600	563
Depreciation	206,026	179,400
Total expenses	1,084,262	1,139,743
Less ineligible expenses:		
Depreciation	206,026	44,274
Audit fees	-	9,850
Dues	51	52
Grant costs:		
RTAP	342	4,507
Job Access/Project Zero	205,019	250,485
Total ineligible expenses	411,438	309,168
Net eligible expenses	\$ 672,824	\$ 830,575
State:		
Maximum State Operating Assistance		
38.44% of \$ 672,824	\$ 258,634	\$ 350,752
Federal:		
12.40% of \$ 672,824	\$ 83,430	\$ 90,948

**Van Buren County Public Transit**  
**Mileage Data**  
**(Unaudited)**

	<b>Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
Public Transportation		
Vehicle Mileage		
1st quarter	86,217	91,362
2nd quarter	87,450	87,932
3rd quarter	93,747	88,722
4th quarter	91,311	95,199
Total vehicle mileage	358,725	363,215



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



March 17, 2006

Members of the Board  
Van Buren County Public Transit  
Bangor, Michigan

We have audited the financial statements of the Van Buren County Public Transit for the year ended September 30, 2005, and have issued our report thereon dated March 17, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated February 15, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Van Buren County Public Transit. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Van Buren County Public Transit are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Van Buren County Public Transit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Van Buren County Public Transit's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Van Buren County Public Transit, either individually or in the aggregate, indicate matters that could have a significant effect on the Van Buren County Public Transit's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Van Buren County Public Transit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Van Buren Public Transit, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

# **VAN BUREN COUNTY PUBLIC TRANSIT**

## **Comments and Recommendations**

**For the Year Ended September 30, 2005**

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated March 18, 2006 on the financial statements of the Van Buren County Public Transit.

### **Account Reconciliations**

At the start of the audit field work, we noted that certain accounts in the general ledger system did not agree with underlying details. This included the savings account, grant receivables, and account payable accounts. Proper corrections were made as audit adjustments. Over most of the past year, the Bookkeeper has also held the role as a Co-Director, which did not allow as much time to be allocated to the financial function.

We recommend that all balance sheet accounts be reconciled to underlying detail records on a monthly basis.

### **Credit Card Policy**

We noted that the Transit's credit card policy has not been updated since 1990, and that it does not conform to all of the State of Michigan requirements.

We recommend that the Transit adopt a credit card policy that conforms to the requirements prescribed by Michigan Department of Treasury guidelines.

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